

Message Text

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LIMDIS

FOR S, D, E, P, EB, EUR, S/P, TREASURY, NSC, FRB ONLY.

E.O. 11652: GDS

TAGS: EFIN, PO

SUBJECT: SITUATION REPORT/NOV. 4

REF: STATE 266724

1. AGRICULTURE MINISTER RESIGNS: FOLLOWING HIS DISAPPOINTING PERFORMANCE AT THE SOCIALIST PARTY (PS) CONGRESS (LISBON 7508), CONTROVERSIAL AGRICULTURE MINISTER LOPES CARDOSO HAS SUBMITTED HIS RESIGNATION. THE PRIME MINISTER IS EXPECTED TO ACCEPT THE RESIGNATION.

2. IRVING BROWN VISITS PORTUGAL: THE EUROPEAN REPRESENTATIVE OF THE AFL-CIO, IRVING BROWN, ATTENDED THE PS CONGRESS OCT 30-NOVEMBER 1, AS AN INVITED GUEST (LISBON 7494).

3. ELECTRONICS INDUSTRY PROBLEMS: IN ADDITION TO PREVIOUS MULTINATIONAL ELECTRONICS FIRMS CURTAILING THEIR ACTIVITIES IN PORTUGAL (SEE LISBON 7493), CASSETTE PRODUCER AUDIO MAGNETICS IS SEEKING GOP PERMISSION TO REDUCE ITS WORK WEEK.

4. TRANSPORT HIKES BRING COMPLAINTS: FARES FOR URBAN AND COMMUTER TRANSPORT WERE RAISED AN AVERAGE 25 PER EFFECTIVE NOVEMBER 1. THIS INCREASE, THE THIRD SINCE
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1974, WAS INTENDED TO REDUCE HEAVY DEFICITS, NOW

APPROXIMATING 4 BILLION ESCUDOS (\$128 MILLION) A YEAR FOR RAILWAYS (CP) ALONE, AND ABOUT 6 BILLION ESCUDOS (\$200 MILLION) FOR ENTIRE LAND TRANSPORT SECTOR. PASSENGER COMPLAINTS, HEAVILY REPORTED IN PRESS, HAVE CENTERED ON FAILURE TO IMPROVE POOR SERVICES DESPITE HUGE INCREASES, AND ON LACK OF INTER-LINE PASSES.

5. TRADE MINISTER TALKS TO MERCHANTS: TRADE AND TOURISM MINISTER ANTONIO BARRETO APPEALED NOVEMBER 2 TO NATIONAL CONFERENCE OF COOPERATIVE AND RETAIL GROVERS TO GIVE PREFERENCE TO DOMESTIC PRODUCTS. HE PROMISED CONSTRUCTION WOULD BEGIN SOON ON NATIONAL NETWORK OF COLD STORAGE PLANTS, AND SAID THAT GOP WAS PREPARING LEGISLATION TO CONTROL AND IMPROVE DISTRIBUTION CHANNELS. MERCHANTS IN TURN DEMANDED REVOCATION OF SEVERAL LAWS, INCLUDING ONE REGULATING PROFIT MARGINS.

6. GOP EXTENDS WORKER MANAGEMENT CREDENTIALS: THE LABOR MINISTRY HAS ANNOUNCED THAT IT IS COMPLETING LEGISLATION TO REGULATE THOSE COMPANIES WHICH ARE UNDER WORKER MANAGEMENT (AUTO-GESTAO). IN THE MEAN-TIME, IT HAS EXTENDED THE EXISTING CREDENTIALS FOR WORKER-MANAGEMENT OF THOSE FIRMS UNTIL DECEMBER 31.

7. INTERVENTION IN FISH CANNERY: ABOUT 300 COMPANIES CURRENTLY ARE UNDER GOP "INTERVENTION" DUE TO SERIOUS FINANCIAL OR LABOR PROBLEMS. COUNCIL OF MINISTERS HAS DECLARED ITS INTENTION TO END THESE INTERVENTIONS BY FEBRUARY 28, 1977. IT RECENTLY REFUSED TO INTERVENE IN THE LARGE J.J. GONCALVES GROUP, SAYING THAT THE SERIOUS MANAGEMENT AND FINANCIAL PROBLEMS OF THE GROUP WERE BEYOND THE GOVERNMENT'S CURRENT RESOURCES. THE GOP DOES, HOWEVER, CONTINUE OCCASIONALLY TO INTERVENE IN SOME SMALLER COMPANIES IN SECTORS WHICH IT HAS DECLARED OF SPECIAL INTEREST. ACCORDINGLY, THE GOP HAS JUST INTERVENED IN A FISH CANNERY FIRM IN THE ALGARVE.

8. CIVIL SERVANT WORK HOURS CONTESTED: COUNCIL
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OF MINISTERS HAS SENT TO ASSEMBLY OF THE REPUBLIC A LAW SETTING A MINIMUM 40 HOUR WEEK FOR CIVIL SERVANTS. PROVISIONAL DIRECTORATE OF CIVIL SERVANTS UNION HAS DECLARED ITS OPPOSITION TO WHAT IT CLAIMS IS A MORE THAN 10 PERCENT INCREASE IN WORK HOURS, AS WELL AS TO THE WAY IN WHICH THE CIVIL SERVANTS WERE CONSULTED ON THE LEGISLATION.

9. MOVIES EXEMPTED FROM SURCHARGE/PRIOR DEPOSIT:
MOVIE DISTRIBUTORS AND EXHIBITORS STRONGLY PROTESTED
RECENT DOUBLING OF MOVIE DISTRIBUTION TAX (TO 60,000
ESCUDOS - ABOUT \$1,900 PER FILM) AND IMPOSITION OF
60 PERCENT SURCHARGE AND 50 PERCENT PRIOR DEPOSIT FOR
IMPORTED MOVIES. IN RESPONSE, GOP HAS JUST EXEMPTED
MOVIES FROM SURCHARGES AND PRIOR DEPOSIT.
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